

**PONDER OILS LTD.**

**ANNUAL REPORT  
TO SHAREHOLDERS**

DECEMBER 31, 1966





## **Annual Report to the Shareholders**

# **PONDER OILS LTD.**

**Incorporated under the laws of the Province of Alberta**

**(Listed on Toronto and Calgary Stock Exchanges)**

**HEAD OFFICE — 306 LANCASTER BUILDING  
CALGARY, ALBERTA**

### **DIRECTORS AND OFFICERS**

**W. L. Falconer — President and Managing Director**

**Geo. R. Gibson — Vice-President and Director**

**H. F. Gain — Secretary**

**L. S. Walsh — Director**

**F. J. Heagle — Director**

**F. Leroy Hill — Director**

**E. R. Alexander Jr. — Director**

### **REGISTRAR**

**MONTREAL TRUST COMPANY**

**Calgary, Alberta — Toronto, Ontario**

### **TRANSFER AGENT**

**MONTREAL TRUST COMPANY**

**Calgary, Alberta — Toronto, Ontario**

### **AUDITORS**

**PRICE, WATERHOUSE & CO.**

**Chartered Accountants**

**Calgary, Alberta**



## Directors' Report

To The Shareholders:

Your Directors present herewith a Consolidated Balance Sheet, Statement of Income and Retained Earnings, Statement of Source and Application of Funds for Ponder Oils Ltd. and its wholly-owned subsidiaries — Universal Printers Ltd. and Discovery Inc. — for the year ended December 31, 1966. The net income from operations after providing for taxes amounted to \$129,717 or five cents per share, as compared to six and three quarter cents per share in 1965. The largest part of the reduction in net income or earnings was due to write-offs occasioned by the abandonment of two exploration projects and a downward revision of oil and gas reserves on certain properties. Indeed, overall oil and gas reserves were increased as a result of 1966 exploration activity and 1967 production figures should show an increase.

Dividends of one and one half cents per share on the common stock of the company were paid to shareholders June 30 and December 15, 1966, a total of three cents per share during the year. It is the intention of the Board of Directors that if conditions warrant, payment of dividends will be continued on a semi-annual basis.

It is a pleasure for the Directors to record their sincere thanks and appreciation for the loyalty and co-operation of our employees, whose efforts have contributed to the operations during 1966.

You are urged to attend the shareholders' meeting on April 28th, 1967, but if unable to do so, please sign and return the enclosed proxy.

For the Board of Directors,  
W. L. Falconer,  
President

Calgary, Alberta  
April 14th, 1967

## **PONDER OILS LTD.**

The company participated in two wells in South East Saskatchewan. Both wells failed to obtain commercial production.

In southern Alberta the company was more active and drilled five exploratory wells. One of these was successful and is currently a flowing well making its allowable production. The company, as a result of this drilling, has earned a one-eighth working interest in some 15,000 acres in this area. Further development will be undertaken adjacent to the discovery, and exploration will continue on these lands.

During the course of 1966, the company examined several mining properties and as a result of this field work acquired an option on thirty six mineral claims in the Illiance River valley near Alice Arm, British Columbia. These claims produced some small shipments of high-grade silver ore prior to 1923. This ore was mined by hand and the shipments to tide water made by pack horse. Low silver prices together with the inaccessibility of the area, that resulted from abandonment of pack trails, cut down on all exploration until the advent of the helicopter. A preliminary examination of the Illiance Valley indicates that a series of mineralized fractures exist on the company's claims. Assays have been very encouraging with good values in silver, copper, lead and zinc. The company plans a preliminary examination of the property as soon as the ground is free of snow in 1967. This will include mapping, sampling, trenching and diamond drilling.

## **DISCOVERY INC.**

Early in 1966 a successful gas well was drilled in Gaines County, Texas. A follow up failed to obtain commercial production.

The company's participation in 480 acres in Reagan County, Texas, completed one well in December, another in January, 1967, and a third in April, 1967. These wells are all flowing and making their allowable production. The company has a one-sixteenth working interest. This property is now completely developed and in 1967 will have replaced the company's decline in 1966 production. Further producing prospects in Texas are currently under study.

## **UNIVERSAL PRINTERS LTD.**

During 1966 Universal Printers Ltd., the company's wholly-owned printing subsidiary in Winnipeg, Manitoba, experienced an increase in sales. However, a major piece of machinery failed and the resulting increased maintenance and overtime labour costs that developed before replacement equipment was delivered and installed, dropped profits below 1965 levels.

The company moved its commercial operation together with its general offices into a new 31,000 square-foot plant at 1205 Sherwin Rd., alongside Winnipeg's International Airport. Two major pieces of printing and trimming equipment were added. These units should allow the company to be more competitive in the commercial printing field and increase the efficiency of the book plant.



**Consolidated Balance**  
(with compara

<b>ASSETS</b>		
	<b>1966</b>	<b>1965</b>
<b>CURRENT ASSETS:</b>		
Cash and deposit receipt .....	\$ 9,026	\$ 21,760
Accounts receivable—		
Trade .....	375,497	359,442
Employees .....	6,566	5,038
Other (Note 3) .....	82,435	.....
Inventories—		
Finished goods, at selling price .....	7,963	.....
Work, in process, at estimated cost .....	20,858	10,265
Paper, ink and supplies, at the lower of cost or net realizable value .....	90,579	107,421
Prepaid expenses and deposits .....	18,894	18,090
	<u>611,818</u>	<u>522,016</u>
5% REFUNDABLE TAX .....	4,227	.....
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Land .....	36,999	47,884
Leases and well costs .....	143,931	114,924
Buildings .....	191,755	375,145
Machinery and equipment .....	1,239,322	1,067,394
Type and metal .....	54,016	46,675
Office furniture and fixtures .....	36,859	22,891
	<u>1,702,882</u>	<u>1,674,913</u>
Less — Accumulated depreciation and depletion ....	913,211	864,713
	<u>789,671</u>	<u>810,200</u>
<b>OTHER ASSETS:</b>		
Rent paid in advance .....	27,852	.....
Unamortized leasehold improvements .....	10,951	.....
Organization costs .....	5,237	5,237
	<u>44,040</u>	<u>5,237</u>
<b>EXCESS OF PURCHASE PRICE OVER BOOK VALUE</b>		
OF SUBSIDIARY .....	849,981	849,981
	<u><u>\$2,299,737</u></u>	<u><u>\$2,187,434</u></u>

**OILS LTD.**  
**ED SUBSIDIARIES**

**— December 31, 1966**  
 (figures for 1965)

**LIABILITIES**

	<b>1966</b>	<b>1965</b>
<b>CURRENT LIABILITIES:</b>		
Bank loan, secured by 6% first mortgage bond .....	\$ 115,108	\$ 120,107
Accounts payable—		
Trade .....	135,501	98,919
Other .....	152,262	11,893
Income taxes payable .....	.....	27,595
	<u>402,871</u>	<u>258,514</u>
 <b>LONG TERM DEBTS:</b>		
Bank loan (secured by 6% first mortgage bond, repayable \$10,000 per month plus interest) .....	115,000	235,000
Less—Current portion included in current liabilities	<u>115,000</u>	<u>120,000</u>
	.....	115,000
 <b>ACCUMULATED REDUCTION IN INCOME TAXES</b>		
APPLICABLE TO FUTURE YEARS (Note 1) .....	113,000	81,600
 <b>SHAREHOLDERS' OWNERSHIP:</b>		
Share capital—		
Authorized—		
15,000 6% cumulative redeemable preference shares of a par value of \$100 each		
4,000,000 common shares of a par value of 50c each		
Issued — (Note 2)		
8,334 preference shares .....	833,400	833,400
Less — shares held by subsidiary company ...	(833,400)	(833,400)
2,605,700 common shares .....	1,302,850	1,302,850
Retained earnings, per statement attached .....	<u>481,016</u>	<u>429,470</u>
	<u>1,783,866</u>	<u>1,732,320</u>

**APPROVED ON BEHALF OF THE BOARD:**

W. L. FALCONER, Director

F. J. HEAGLE, Director

The Auditors' Report is attached to this Balance Sheet.

<u>\$2,299,737</u>	<u>\$2,187,434</u>
--------------------	--------------------



# **PONDER OILS LTD.**

## **AND WHOLLY-OWNED SUBSIDIARIES**

### **Notes to Financial Statements**

**DECEMBER 31, 1966**

1. For purposes of determining income taxes, the companies claim the maximum allowable deductions for depreciation, development and depletion.  
The accumulated reduction in income taxes applicable to future years represents amounts applicable to future periods when depreciation charged for income tax purposes may be less than amounts recorded in the accounts.
2. Options are outstanding whereby certain employees may purchase shares as follows:  
31,000 shares at a price of 50c per share on or before July 31, 1968.  
149,000 shares at a price of 50c per share on or before March 1, 1968.  
A further 77,500 shares are reserved for future issuance under stock option plans which may be granted to employees.
3. During 1966 certain land and buildings, owned by a subsidiary company, were expropriated by the Province of Manitoba. As negotiations have not yet begun to determine the final expropriation amount, there is included in "Accounts receivable — other" an amount, conservatively estimated by management, to recover the book value of the real estate expropriated and moving and disturbance costs.
4. A subsidiary company occupies leased premises at an annual rental of \$33,900 for the first five years and \$26,472 thereafter. The lease is for a period of twenty years with an option to renew for a further five years. The company has an option, which expires in 1971, to purchase the property for \$240,000.
5. Selling, general and administrative expenses for 1966 include directors' remuneration of \$31,200 including salaries of officers who are directors.

### **Auditors' Report**

To the Shareholders of Ponder Oils Ltd.

We have examined the consolidated balance sheet of Ponder Oils Ltd. and subsidiary companies as at December 31, 1966 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its subsidiaries as at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
March 28, 1967

PRICE WATERHOUSE & CO.  
Chartered Accountants.



**PONDER OILS LTD.**  
AND WHOLLY-OWNED SUBSIDIARIES

**Consolidated Statement of Income and Retained Earnings**  
**FOR THE YEAR ENDED DECEMBER 31, 1966**

(with comparative figures for 1965)

	1966	1965
Gross sales .....	<u>\$2,708,822</u>	<u>\$2,494,041</u>
Costs and expenses:		
Cost of sales .....	1,991,069	1,704,311
Selling, general and administrative expenses .....	307,139	356,523
Interest on long term debt .....	10,755	18,236
Dry holes and abandoned leases .....	26,452	.....
Depreciation .....	90,623	95,336
Depletion .....	18,073	8,171
	<u>2,444,111</u>	<u>2,182,577</u>
Profit from operations .....	264,711	311,464
Other income .....	<u>8,336</u>	<u>8,473</u>
Profit before provision for income tax .....	273,047	319,937
Provision for income taxes .....	<u>143,330</u>	<u>144,695</u>
Net income for the year .....	129,717	175,242
Retained earnings, beginning of year .....	<u>429,470</u>	<u>264,482</u>
	559,187	439,724
Deduct — Dividends paid .....	78,171	.....
— Adjustment of prior years income taxes .....	.....	<u>10,254</u>
Retained earnings, end of year .....	<u>\$ 481,016</u>	<u>\$ 429,470</u>

Certain 1965 figures have been reclassified to conform with 1966 presentation.

**PONDER OILS LTD.**  
**AND WHOLLY-OWNED SUBSIDIARIES**

**Statement of Source and Application of Funds**  
**FOR THE YEAR ENDED DECEMBER 31, 1966**

Source of funds:

Funds provided by operations:

Net profit for the year .....	\$129,717
Proceeds from sale of fixed assets .....	140,354
Add — Charges not requiring funds:	
Depreciation and depletion .....	108,696
Increase in accumulated tax reductions applicable to future years .....	31,400
	<u>\$410,167</u>

Application of funds:

Dividends paid .....	\$ 78,171
Purchases of property, plant and equipment .....	239,472
Decrease in long term debt .....	115,000
Rent paid in advance .....	27,852
Payment of refundable tax .....	4,227
Working capital December 31, 1965 .....	\$263,502
Working capital December 31, 1966 .....	<u>208,947</u>
Decrease in working capital .....	(54,555)
	<u>\$410,167</u>







